

International Trade Report

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Ukraine Strengthens Broiler Production

Broiler Production Leads Growth in the Meat Sector

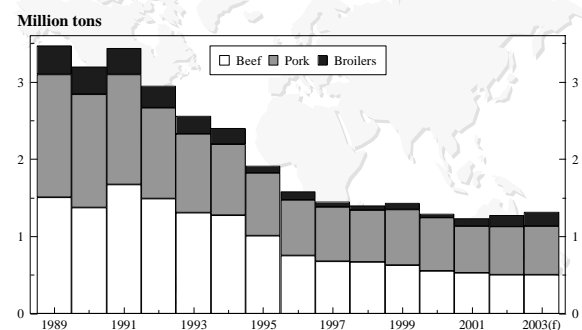
After total meat production bottomed out at 1.3 million tons in 2001, Ukraine's meat production started to recover, totaling 1.5 million tons (680,000 tons for beef, 635,000 tons for pork, and 170,000 tons for broilers) in 2003. The largest gains are seen in broiler production, showing a 30-percent increase from last year, although broilers only account for 11 percent of total meat production. Rapid growth in broiler production is attributed to strong demand and continued investment. Reduced meat imports in 2002 due to the ban on U.S. poultry also helped increase production. Should the level of investment and market demand continue, broiler production has the potential to exceed the 340,000-ton level seen before the break-up of the Soviet Union.

Taste for Chicken...A Growing Trend

In 2003, broiler meat consumption is forecast at 185,000 tons, nearly doubling the 2001 level. Accordingly, per capita consumption increased from 4.3 pounds in 2001 to 8.5 pounds in 2003. The growth in broiler consumption is expected to continue supported by affordable prices and perceptions of its health benefits compared to other meat products. Continued strong economic growth also contributed to increased consumption.

As broiler consumption rises, there is a growing demand for parts and value-added products. These products are mostly seen in supermarkets. Shopping in supermarkets is slowly growing although most consumers shop in traditional open-air markets. Supermarkets offer a variety of fresh/frozen products from whole birds and parts to seasoned/marinated products that are individually packaged. As more consumers shop in supermarkets, packaging becomes more important because appearance influences consumers' buying decisions.

Ukraine's Total Meat Consumption is Recovering led by Growing Broiler Demand



More Investment and Beyond

Major producers continue to expand their production capacity. Reportedly, in 2003, the top 5 producing companies in Ukraine account for more than 80 percent of broiler production in the country. These companies own the entire supply chain including feed mills, parent stock, hatcheries, birdhouses, and a processing plant designed in the Soviet-era. These companies expect continued investment in land, buildings, equipment, and transportation to allow them to further expand production and distribution within a few years.

It is yet to be seen whether increased production will lead to exports to neighboring countries, mainly to Russia, in the near future. In 2003, Ukraine cannot export poultry meat to Russia under Russia's poultry import quota system because the quota allocation is based on historical export market share, thereby limiting new entrants. Furthermore, Ukraine's ability to export its broilers depends on the extent to which domestic production satisfies demand, on improvements in cold storage, and on comparative advantages in production cost.

Despite the removal of the ban on U.S. leg quarter imports in early April 2003, no shipments arrived as of the end of July due to high tariffs (30 percent ad valorem, or not less than EUR 0.7/kg) and because the Central Veterinary Service (CVS) has yet to issue orders to border officials to accept the new U.S. veterinary certificate. In addition, CVS has recently requested individual plant inspections and a list of approved exporters as a pre-requisite to resume trade. U.S. leg quarters continue to suffer from widespread misinformation caused by trade disputes with Russia. Should imports be allowed and consumer perception change, U.S. leg quarters would be competitive in the Ukraine market as U.S. leg quarters are bigger and meatier than locally grown product and are competitively priced.

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